

Complaint

Mr N has complained about personal loans which Madison CF UK Limited (trading as “118 118 Money”) provided to him.

He’s said that these loans were unaffordable and that as sufficient checks would have shown this, he shouldn’t have been provided with them.

Background

Mr N was provided with three loans by 118 118 Money. His loan history is as follows:

Loan	Taken	Amount	New funds	To previous loan	Settled	Term*	Repayment
1	April 2019	£3,500.00	£3,500.00	N/A	February 2020	24	£258.63
2	February 2020	£4,731.98	£2,050.00	£2,681.98	August 2020	24	£339.33
3	August 2020	£4,983.32	£1,000.00	£3,983.32	Defaulted	24	£359.84

* in months

One of our investigators reviewed what Mr N and 118 118 Money had told us. She wasn’t persuaded that proportionate checks would have shown the loans were unaffordable for Mr N. So the investigator didn’t recommend that Mr N’s complaint be upheld.

Mr N disagreed with the investigator and asked for an ombudsman’s decision.

My findings

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

We’ve explained how we handle complaints about irresponsible and unaffordable lending on our website. And I’ve used this approach to help me decide Mr N’s complaint.

Having carefully considered everything, I’ve decided not to uphold Mr N complaint. I’ll now proceed to explain why in a little more detail.

Bearing in mind Mr N’s response to our investigator, I think that it would be helpful for me to set out that we consider what a firm did to check whether loan payments were affordable (asking it to evidence what it did) and determine whether this was enough for the lender to have made a reasonable decision on whether to lend.

Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify that information – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low, the amount lent was high, or the information the lender had – such as a significantly impaired

credit history – suggested the lender needed to know more about a prospective borrower's ability to repay.

That said, I think that it is important for me to explain that our website does not provide a set list of mandated checks that a lender is expected to carry out on every occasion – indeed the regulator's rules and guidance did not and still do not mandate a list of checks to be used. It simply sets out the types of things that a lender could do.

It is for a lender to decide which checks it wishes to carry out, although we can form a view on whether what was done was proportionate to the extent it allowed the lender to reasonably understand whether the borrower could make their payments.

Furthermore, if we don't think that the lender did enough to establish whether the repayments to an agreement were affordable, this doesn't on its own mean that a complaint should be upheld.

We would usually only go on to uphold a complaint in circumstances where we were able to recreate what reasonable and proportionate checks are likely to have shown – typically using information from the consumer – and this clearly shows that the repayments in question were unaffordable.

I've kept this in mind when deciding Mr N's complaint.

In the first instance, I don't think that this is a case of a lender failing to obtain any information at all from a borrower before deciding to lend. I say this as for all of his loans Mr N looks to have declared that he was earning just under £3,000.00 a month. This appears to have been cross checked against information from credit reference agencies on the amount of funds going into Mr N's bank account each month.

I understand that 118 Money also carried out credit checks. The credit checks carried out before the first loan was provided showed a defaulted account recorded against Mr N from the year prior. Although Mr N didn't have any county court judgments ("CCJ") recorded against him. Bearing in mind Mr N had defaulted on credit within the previous year, I don't think that it was reasonable for 118 Money to rely on statistical data, rather than find out about Mr N's actual living expenses before providing loan 1.

Furthermore, Mr N was provided with loan 2 before he'd repaid loan 1 and some of the funds from loan 2 even went towards settling the outstanding balance on loan 1. Loan 3 was also provided in similar circumstances. Given Mr N was a repeat borrower by this stage, I would have expected 118 Money to have taken steps to understand what his monthly expenditure actually was, rather than rely on declarations of this.

I can't see that 118 Money did obtain information on Mr N's committed living costs. Instead, it looks like 118 Money relied on statistical data in order to estimate Mr N's living costs. In these circumstances, I'm not persuaded that the checks it carried out before providing Mr N with any of his loans were reasonable and proportionate.

Mr N's response to our investigator suggests that as 118 Money cannot evidence having carried out proportionate checks before providing these loans, this should be the end of the matter and his complaint should be upheld. However, while I can to some extent understand why Mr N may believe this, it is not sufficient for me to uphold Mr N's complaint simply because 118 Money should have done more.

I need to consider whether carrying out such checks would have made a difference to its decisions. And it is only fair and reasonable for me to uphold the complaint should I be

satisfied that 118 118 Money doing more, at the respective times, would have resulted in it taking a different course of action – in this case, declining Mr N's loan applications.

I've therefore gone on to decide what I think 118 118 Money is more likely than not to have seen had it obtained the information that I think it should have gathered. As I've explained, bearing in mind the circumstances here, I would have expected 118 118 Money to have had a reasonable understanding about Mr N's actual regular living expenses as well as his income and existing credit commitments.

I want to be clear in saying that this isn't the same as saying that 118 118 Money had to obtain bank statements in order to verify all of this, as how it found out what I think that it needed to find out was down to it. For example, it could have chosen to request copies of bills or other proof of payment. The important thing was that 118 118 Money needed to get an understanding of Mr N's actual regular living costs.

I've therefore considered the information Mr N has provided us with in order to determine what I think 118 118 Money finding out more about Mr N's actual regular living costs are likely to have shown it. Having done so, I don't think that 118 118 Money attempting to find out further information about Mr N's actual regular living costs would have made a difference here.

I say this because I've not seen anything that shows me that when Mr N's committed regular living expenses, other non-discretionary expenditure and the existing credit commitments 118 118 Money knew about, were deducted from his income, at the respective times, he did not have the funds to make the monthly payments to these loans.

I accept that Mr N's actual circumstances at the time were worse than what the information about his committed living costs and existing commitments to credit shows. Mr N says that he was provided with these loans whilst in the midst of a gambling addiction. I'm sorry to hear about what Mr N has told us and I accept that it is possible that 118 118 Money might have reached a different lending decision had it known about what Mr N has now told us.

But the key thing here is not only did Mr N not make 118 118 Money aware about his gambling, I don't think it can be reasonably expected to have known about this either, as it didn't need to ask for copies of Mr N's bank statements or the other information he's now provided either.

In these circumstances, whilst I do sympathise with what Mr N has said and I'm not seeking to dismiss or trivialise what he's told us, it's simply the case that 118 118 Money could not have factored this into its lending decisions. I say this particularly in light of my conclusions that proportionate checks would more likely than not have shown the monthly payments to these loan to be affordable.

I've also kept in mind that 118 118 Money provided second and third loans to Mr N and that repeat borrowing in itself can sometimes be an indication of difficulty. I accept that Mr N settled loans 1 and 2 with some of the proceeds with loans 2 and 3. However, Mr N did make all the monthly payments that he did make to these loans on time.

Furthermore, not only was it a case that there was no new significant adverse information – such as defaulted accounts and CCJs – recorded against Mr N during the period between loan 1 and loan 3, the credit check for loan 2 showed that Mr N owed less than he did at the time he applied for loan 1; and the check for loan 3 showed he owed even less at this time.

I appreciate that Mr N says he took out another loan in July 2020, but this didn't show on the credit check. As it normally takes up to 90 days for a credit report to fully update, I don't think

that this loan not showing means that 118 118 Money's August 2020 credit check was defective.

I've also consider that if loan 3 had run to its intended term, this would have been settled around three and half years after Mr N started borrowing from 118 118 Money. I don't think that this is an excessive period, particularly as it isn't uncommon for a lender to provide a borrower with a single loan over such a term.

So while Mr N being a repeat borrower here has led to me taking a closer look at the overall pattern of lending, I'm satisfied that it wasn't unfair for 118 118 Money to have provided loans 2 and 3 to Mr N on the basis that it ought to have realised that it was increasing Mr N's indebtedness in a way that way unsustainable or otherwise harmful.

Finally, I've noted that Mr N has commented on the fact that the relationship between himself and 118 118 Money might have been unfair to him under s140A of the Consumer Credit Act 1974 ("s140 CCA"). However, while I've thought about what Mr N has said, I'm not persuaded that s140 CCA is relevant law for me to take into account here.

I say this because, in the context of this complaint, the law relating to unfair relationships is described in s140 CCA. It says a court may make an order under s140 if it determines a relationship between the creditor and the debtor is unfair. The consumer is the debtor and s140 defines the creditor as *"the person to whom his rights and duties under the agreement have passed by assignment or operation of law."*

So where a debt has been sold, like Mr N's debt on loan 3 was sold (and loans 1 and 2 were consolidated into this debt) and are therefore linked agreements), it follows that the debt purchaser is now the creditor for the purpose of the credit agreement.

Therefore, I'm satisfied that a claim about an unfair relationship can't be brought by Mr N against 118 118 Money, as it is no longer the creditor. In any event, I've not been persuaded that 118 118 Money irresponsibly lent to Mr N or otherwise treated him unfairly. So I don't think s140 CCA even if it were applicable, or anything else would, given the facts of this complaint, lead to a different outcome here.

Overall and having carefully considered everything and while I appreciate that this will disappoint Mr N, I've not been persuaded that proportionate checks would have shown 118 118 Money that it shouldn't have provided Mr N's with his loans. Furthermore, I don't think that Mr N's pattern of borrowing meant that 118 118 Money offered loans 2 and 3 in circumstances where it ought reasonably to have realised that they may have been unsustainable or otherwise harmful for him either.

Therefore, while I can understand Mr N's sentiments and appreciate why he is unhappy, I'm nonetheless not upholding this complaint. I appreciate this will be very disappointing for Mr N. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Mr N's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 11 August 2025.

Jeshen Narayanan

Ombudsman